



U.S. Small Business Administration

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U.S. Small Business Administration

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# NEWS for Eastern Iowa Lenders

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## Jon Ryan Named New Director of Iowa SBDC

Effective Monday, January 6<sup>th</sup>, Jon Ryan became state director of the Iowa Small Business Development Center (SBDC). Since 1985 Ryan has served as director of the Eastern Iowa SBDC located in Davenport and serving Clinton, Jackson, Muscatine, and Scott counties. In that capacity, Ryan counseled more than 5,000 startup and established business owners. He also served as co-chair of the Re-Engineering Task Force for Iowa and the funding committee. In his new position, Ryan will provide overall guidance for the statewide SBDC from its offices at the Iowa State University College of Business in Ames. Lars Peterson will continue as Associate State Director. Peterson has served as interim state director for the SBDC since former state director John Manning's retirement in August, 2002. The SBDC may be contacted at (800) 373-7232 FAX (515) 292-0020 Jon's direct number with voice mail is (515) 292-6876 Email: [jonryan@iastate.edu](mailto:jonryan@iastate.edu) SBDC contact: [dduncan@iastate.edu](mailto:dduncan@iastate.edu) Website: <http://www.iabusnet.org/sbdc/>

## Cheryl Eftink Retires

Cheryl Eftink, former SBA Des Moines District Director, retired from her post effective December 13, 2002. Cheryl joined the SBA in Des Moines in 1971 as a clerical worker and moved up through the ranks, becoming the top executive in the office in 1998 following a two year stint as acting district director. John Langin, Deputy District Director, will serve as acting director until a permanent replacement is appointed. Congratulations on your retirement, Cheryl. We will miss you.

## SBA 50th Anniversary is in 2003

SBA's 50<sup>th</sup> Anniversary will formally kick off in September, 2003. So far there has been limited media publicity of the event but we expect a major media push as we head into the summer and fall. The national Small Business Awardees and top small business contractors will be honored in Washington DC the week of the Small Business Conference and Trade Show which is Sept. 15<sup>th</sup> through 20<sup>th</sup>. We will get you information, posters, etc. when we hear more.

## SBA Loan Processing and Eligibility Guidelines

### What Credit Analysis Must the Lender Do?

Lenders must be capable processing, servicing and liquidating commercial loans. The lender does a thorough and complete credit analysis of the applicant, and establishes the loan has reasonable repayment ability. The lender documents their analysis in its lender's credit memorandum and either attaches it to the SBA Form 4-I, "Lender's Application for Guaranty or Participation" or directly enters their analysis on the reverse side. This information must show the lender gathered enough information to make an informed analysis about repayment ability of the applicant.

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At a minimum, this analysis must discuss:

(1) **Capitalization** - The lender must determine whether the business will be adequately capitalized for the project and for business operations. It must also identify the borrower's injection and analyze whether the injection is adequate, and discuss the sources and uses of funds to finance the project.

(2) **Repayment Ability** - The lender must state what information let it make a reasonable conclusion that the loan demonstrates repayment ability. The lender must also discuss any information in addition to the above items that is pertinent to the analysis, including:

- (a) Historical cash flow of the business (including revenues and expenses and impact of owners' withdrawals and officers' compensation);
- (b) Projections;
- (c) Availability of markets; and
- (d) Stability of sales.

Historical data must be reliable and projections must be realistic. The lender must provide enough information to show that it understands the nature of the small business, including:

- (a) The type of business;
- (b) Its legal structure;
- (c) How long it has existed;
- (d) Its ownership; and
- (e) How long it has been under present ownership.

Much of the description of the business may be clearly contained within the application documentation. If so, the lender does not have to repeat it in the credit write-up. However, any information about the nature of the business relevant to repayment and not already contained in the application needs to be included by the lender. The lender must analyze the borrower's proposal as to whether it is a reasonable and appropriate undertaking for the business.

(3) **Management Ability** - The lender must assess the management ability of the business. In doing this, it must consider education, experience, motivation, and stability.

(4) **Collateral** - The lender must identify assets available to be pledged as collateral, as well as assets actually pledged as collateral. It must evaluate the assets and determine their liquidation value, by appraisal or other acceptable method. The lender must also determine how much collateral is needed to adequately secure the loan.

(5) **Credit History** - The lender must review the credit reports for consumer debt and business debt to determine if the borrower shows a history of responsible use of debt. If the lender has credit experience with the borrower, it must discuss it.

### **What are the Closing Requirements?**

The lender **must obtain all required collateral positions and must meet all other required conditions before loan disbursement.**

If SBA must do or review something before disbursement, like tax verifications and environmental requirements, lender needs a written response from SBA prior to disbursement. For any tax verifications required by SOP or Notice, the lender must identify which tax returns it used to verify financial data in the loan. The lender then verifies the returns. If it discovers any discrepancy that is significant the lender must resolve the discrepancy with SBA approval or cancel the loan.

ELIGIBILITY ISSUES (continued from previous newsletters)

### **Eligible Passive Company Loan Eligibility Guidelines:**

WHAT IS AN ELIGIBLE PASSIVE COMPANY?

*An Eligible Passive Company is an entity formed to acquire or lease, and/or improve or renovate, real or personal property (including eligible refinancing), that it then leases to one or more Operating Companies for conducting the Operating Company's business. Any ownership structure or legal form may qualify as an Eligible Passive Company. In this instance, SBA allows financing for "landlords."*

- The Operating Company must be an eligible small business, and the proposed use of the proceeds must be an eligible use if the Operating Company were obtaining the financing directly.
- The Eligible Passive Company and the Operating Company each must be small under the appropriate size standards.
- The lease between the Eligible Passive Company and the Operating Company must be in writing and must be subordinated to SBA's mortgage, or security interest on the property. Also, the Eligible Passive Company (as landlord) must furnish as collateral for the loan an assignment of all rents paid under the lease.
- The lease between the Eligible Passive Company and the Operating Company, including options to renew solely by the Operating Company, must have a remaining term at least equal to the term of the loan.
- The Operating Company must be a guarantor or a co-borrower (with the Eligible Passive Company) of the loan (for loans including working capital, the Operating Company must be a co-borrower).
- Each holder of an ownership interest of at least 20 percent of the Eligible Passive Company and the Operating Company must guarantee the loan.

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## Calendar

We want you to know about some upcoming events. Let your small business clients know representatives from SBA will be participating at the following seminars and expos:

Event	Date	Location	Contact
Hubzone Seminar	<u>Jan 28th and Feb 4th 10 AM - Noon</u>	SEICC-Keokuk Campus, Rm. 402	Dee Ann Glover x217
Tools for Economic Development – ECIA	<u>Jan 24<sup>th</sup> 9:30 AM – 1 PM</u>	Potter's Mill Restaurant, Bellevue	Dee Ann Glover x217
Maquoketa Farm & Home Show	<u>Feb 6<sup>th</sup> and 7<sup>th</sup> 10 AM - 8 PM</u>	Jackson Co. Fairgrounds, Maquoketa	Carolyn Tonn x207

Other events in the planning stages are:

John Blum, our EXPORT EXPERT hopes to be in the district part of the week of February 17<sup>th</sup>

Event:	Dates and times:	Location:	Contact:
Grand Slam Bus Expo	March 5 <sup>th</sup> and 6 <sup>th</sup> Noon – 7	5 Sullivan Bros Conv Ctr, Waterloo	Carolyn Tonn x207
Iowa City Business Fair	March 14 <sup>th</sup> 2 - 7 PM	Carver Hawkeye Arena, Iowa City	Dee Ann Glover x217
Iowa City Business Fair	March 15 <sup>th</sup> 10 AM – 4 PM	Carver Hawkeye Arena, Iowa City	Dee Ann Glover x217
Open for Business	March 19 <sup>th</sup> 11 AM – 7 PM	US Cellular Center, Cedar Rapids	Carolyn Tonn x207
Open for Business	and March 20 <sup>th</sup> 9 AM – 3 PM	US Cellular Center, Cedar Rapids	Carolyn Tonn x207
Beyond Rubies	March 20 <sup>th</sup> and 21 <sup>st</sup> 9AM – 5 PM	Kirkwood College Iowa Hall, Cedar Rapids	Carolyn Tonn x207

## Our 1st Qtr. Loan Performance Compared with Last Year

	2003 Loans	2003 Amounts	2002 Loans	2002 Amounts
Veterans	6	\$1,613,300	5	\$1,187,000
Minority	2	\$255,500	1	\$71,000
Women	12	\$1,050,500	7	\$868,800
LowDoc	21	\$1,609,000	16	\$868,800
504	14	\$3,252,000	6	\$1,861,000
All Loans	50	\$9,962,200	43	\$8,781,500

## Online Training Opportunities

Consider offering entrepreneurial training to your business clients at no cost to you. SBA continues to increase the offerings and quality of online training courses available on the World Wide Web.

**Venture Capital Access:** This is a video course available at <http://www.sba.gov/> click the "Accessing Venture Capital web event" from the scrolling banner or find it at "What's New" <http://www.sba.gov/news/indexwhatsnew.html>

**Online Business Classroom:** A free online training series offering a variety of learning tools. Access it at: <http://www.sba.gov/classroom/courses.html>